



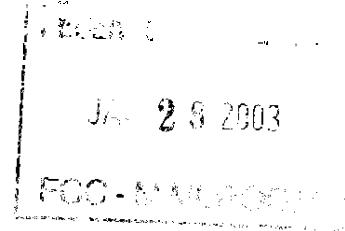
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COMMISSIONERS

January 17, 2003

Honorable Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW - Portals II, TW-A325
Washington, DC 20554



Re: Docket No. 96-45

Dear Secretary:

Forwarded herewith are Reply Comments of the Maine Public Utilities Commission in the above docket with regard to the Recommended Decision of the Federal-State Joint Board on Universal Service Regarding the Non-Rural High Cost Support Mechanism.

Should you have additional questions, you may contact Joel B. Shifman, the primary staff person in this docket, at (207) 287-1381

Sincerely,

Joel B. Shifman
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JBS/lip
Enclosure

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Before the
Federal Communications Commission
Washington, D.C. 20554

In the matter of	CC Docket No. 96-45
Federal-State Joint Board on Universal Service	

**Reply Comments on Joint Board Recommended Decision by
Maine Public Utilities Commission**

Dated: January 17, 2003

AT&T and Verizon state that section 254(b)(3) of the Act was not intended to remedy a lack of rate comparability that existed prior to the passage of the Act in 1996. The California Commission also asserts that the range of rates at the time the 1996 Act was adopted sufficiently defines "reasonably comparable." Both of these claims are without any statutory basis and should be rejected.

If AT&T's and Verizon's analysis of the purpose of the Federal fund were correct there would be no need for the kind of Universal service fund that transfers funds between states. That is the kind of fund we are considering here. Although increased local competition resulting from the mandatory interconnection and unbundling provisions of the Act may cause rate deaveraging within a state, those pressures will not materially change the cost of providing local service in the state. Deaveraging may cause residential and rural rates to increase. However, that kind of harm to rate comparability can and should be supported by intrastate universal service funds. That harm does not require Federal assistance. Federal assistance is needed to offset high average states' costs which cannot be brought down without financial help from outside the state.

The Federal support program codified into Federal Law the kind of high cost support programs established by the Commission and Separations Joint Board prior to the existence of the Act. The support program under review here, like the program which it subsumed and replaced, was designed to address state to state cost differences and not intrastate rate increases caused by rebalancing in response to local competition.¹ The sufficiency and "reasonably comparable" language of § 254(b)(3) was added because the high cost fund that existed prior to the passage of the Act contained no means to ensure that the funds provided were sufficient to support the needs of high cost states. Indeed, that pre-Act fund arbitrarily provided inadequate support for high cost states served by companies serving over 200,000 lines. Vermont had a waiver petition before the Commission for nine years proceeding the passage of the Act to try to remedy that problem. § 254(b)(c) of the Act established those necessary funding standards and made that petition moot.

The Act's Federal funding mechanism, which contains standards for determining the sufficiency of state to state fund transfers, can only reasonably be interpreted as being intended to remedy the inadequacies of the pre-Act high cost support mechanism. Those standards therefore must apply to the lack of reasonable comparability that existed prior to the passage of the Act.

Respectfully submitted.



d e l Shifman, Esq. for
Maine Public Utilities Commission
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¹ The Joint Board and this Commission has itself stated that the purpose of Federal support to nonrural carriers is to deal with cost differences between states. They have stated that cost and rate differences with states are primarily the responsibility of the states themselves.

Before the
Federal Communications Commission
Washington, D.C. 20554

In the matter of

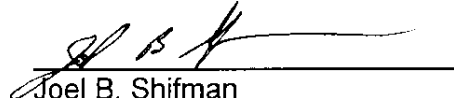
CC Docket No. 96-45

Federal-State Joint Board on
Universal Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing reply comments will be mailed to the persons on the attached list.

Dated: January 17, 2003


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